Flash report Boeing

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"Quantitative approach for asymmetric results"

In this report I analyze the stock Boeing (ticker: BOA) on a monthly chart. Above you see that the stock has precise static levels that tends to recognize quite precisely. This chart will be very useful in the months to come at least for these static levels which I would expect will be respected as they have been in the last ten years. The area between 60 usd and 80 usd seems to be a sort of "fair value" for Boeing since the stock remained in that level from 2010 and 2012 and between 2004 and 2006. Very similar pattern from then on.

On an **Elliott Wave** approach the stock reached its highest level in 2008 ending an impulsive five waves structure. From around 100 usd the stock plunged to 30 usd and now is again at 100 usd. An Elliott wave structure is completed only when subsequent to a five wave structure is followed by a corrective ABC pattern. If that is the case, the drop to 30 usd is then labelled as wave A, and this very moment we are experiencing the reaching of top of wave B. Looking at the whole movement of wave B we can recognize that such movement cannot be labelled as impulsive but only corrective and therefore it is formed by multiple ABC patterns inside, as you can read from the chart.

The shoot up that the stock is doing since March 2013 is clearly an exaustion movement of the whole bullish trend started in 2009. Such behaviour is the normality for a wave C.

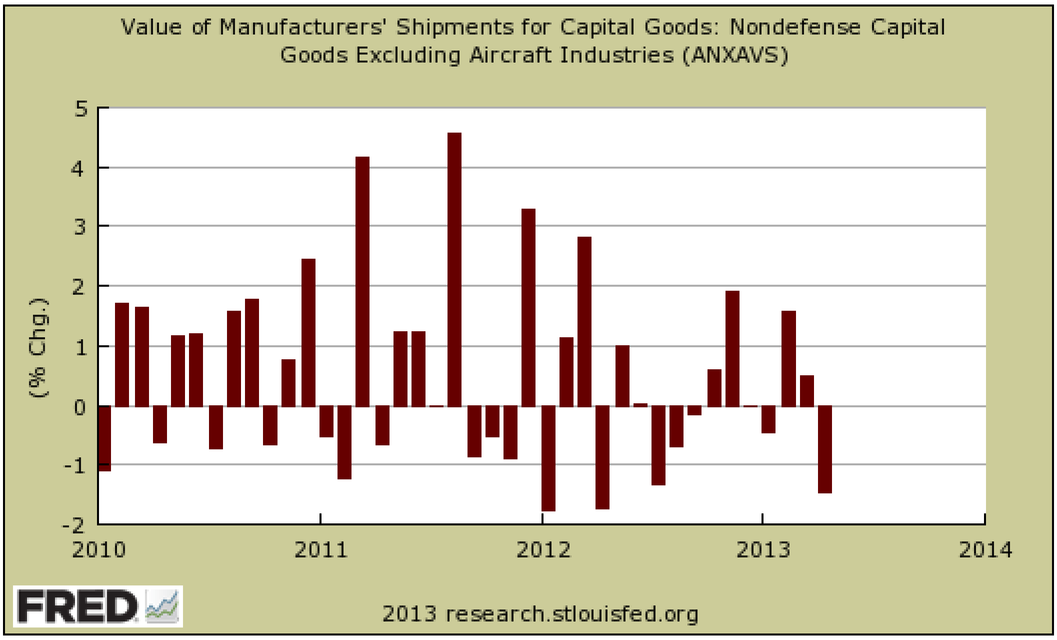
Therefore in the near future, I would expect around July there could a trend inversion which probably will bring the stock to at least see its 70 usd (average between 60 and 80 usd) “fair value”. Why July? Because the month of May candle most likely will be closed with a continuation candle and therefore it will presumibly be in the month of June that an inversion candle will materialize, reaching before a new historical highs (exaustion euphoria). So a safe short entry will be below the low of the inversion candle (June), so July.

I am also looking at this stock as it is also watched very closely to macro analyst because of its connection to the **Durable Goods Orders report** that “*is released monthly by the Bureau of Census that reflects new orders placed with domestic manufacturers for delivery of factory hard goods (durable goods) in the near term or future. Durable goods orders come in two releases per month: the advance report on durable goods and the manufacturers' shipments, inventories and orders*” from Investopedia.

At this link you see the May report directly from the Bureau, I think it is good to all of us to see how this report is done, since we hear a lot about it but I guess nobody ever looked at it (http://www.census.gov/manufacturing/m3/adv/pdf/durgd.pdf).

Much of the argument on the media about this report is the staggering difference between the month over month read of durable goods orders in its entirety and the orders excluding aircrafts which mainly is only attributable to Boeing. Another big chunk of the orders is made by the Defense Department that is, again, partially related to aircrafts (but not only).

Here is the reading up to April 2013 of the report excluding Boeing and the Defense Department:

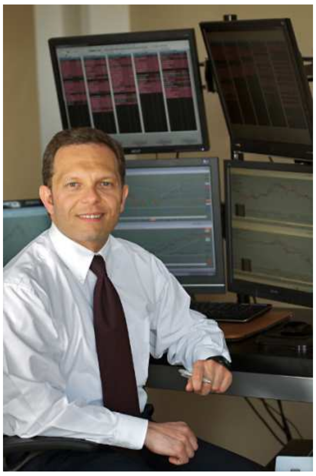


While the media is trumpeting that the April durable goods order increased by 1.5% (MoM), excluding the Defense orders (that are not related to an economic cycle) and Boeing (which is part of the economic cycle) we have a different picture. Since Boeing is a company and its orders can reflect the status of economic cycle, why the chart above has been also sterilized by the “Boeing effect”?

Because Boeing is THE biggest company that affects the Durable Goods Orders Report and also because one company is no indication of the status of the economy of a country, especially the US where there are millions of other companies, which may or may not experiencing such favourable moment as Boeing is doing. Well, looking at this sterilized report it seems that there are very few companies that are doing as well as Boeing.

To have an idea of where we are in the market cycle on a chart analysis, I also look at the Google (ticker: GOOG), IBM (ticker: IBM), Tiffany (ticker: TIF) and Procter and Gamble (ticker: PG).

The last two just recently did respectively two exaustions gap up on the daily chart, which has the same meaning of the exaustion shot up that we see on Boeing in its chart, on page 1.



Mr. Maggioni has been working in the financial markets for the last 11 years covering different roles and working in tier 1 consulting companies and banks worldwide.

In recent years his studies have been focused on the psycho-emotional aspects of trading and how those aspects have an impact on traders' behavior.
Before starting this venture, he was head of a hedge fund desk at HSBC Private Bank in Monaco and before that he was employed at Credit Suisse Asset Management (CSAM) in Zurich covering the in-house single manager hedge funds.

Most of his experience in hedge funds was gained while working in a Swiss family office where he was in charge of the research and analysis as well as due diligence for US and European hedge funds. He also performed quantitative analysis and portfolio construction for several funds advised by the family office.

Prior to that he worked as an external consultant for KPMG Financial Services in the Milan office. In 2002 he has been hired by Ernst & Young LLP, San Francisco as auditor for hedge funds, auditing large single funds and fund of funds. In 2000 he joined Ernst & Young in Milan as an auditor for mid-sized companies.

Mr. Maggioni holds an MBA from IUM and a Portfolio Management degree from the University of Chicago GSB.

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<u>Useful Links:</u>

European Central Bank:	www.ecb.int
Bank for International Settlements:	www.bis.org
International Monetary Fund:	www.imf.org
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